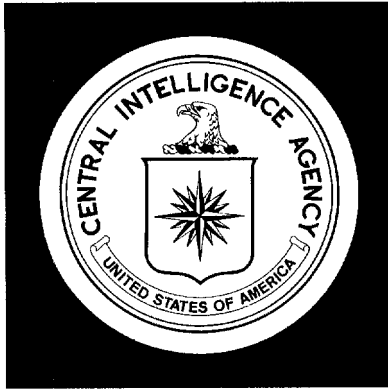


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State Department review completed

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**ARAB STATES - ISRAEL:** There was very little shooting again yesterday on either front, but negotiations for the release of POWs were stalled by Egypt's insistence that Israeli forces first return to the cease-fire lines of 22 October.

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Israeli Minister of Defense Dayan announced yesterday that an agreement for a mutual exchange of wounded POWs had been worked out with Egypt. He told the Knesset that the Egyptians had handed over a preliminary list of 82 Israelis they hold, and that in exchange Israel would release 75 wounded Egyptian soldiers and allow the isolated Egyptian Third Army to evacuate its wounded. Even this limited arrangement may have fallen through, however, as a result of Egypt's insistence on an Israeli pullback. Syria has yet to respond to Israel's POW exchange proposal.

The Dutch are coming under heavy Arab pressure because of their pro-Israeli stand during the fighting. Libya and Bahrain announced yesterday that they were imposing a total ban on oil shipments to the Netherlands. In addition, Saudi Arabia has threatened to cut its oil exports to Holland unless The Hague issues a statement denouncing Israeli aggression and calling for Israel's withdrawal from Arab territory. According to the US Embassy in The Hague, the Dutch response was low key and did not directly answer the Saudi demarche. The Netherlands is an important oil processing and distribution center for Western Europe, consequently an oil embargo could have far-reaching effects.

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The US mission at the UN, meanwhile, is concerned that Israeli

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policy on the composition of the UNEF may become entangled in the prisoner-of-war issue, thus further complicating Secretary General Waldheim's efforts to assemble the UN's peacekeeping force.

According to the US Interests Section in Cairo, the Egyptian press is becoming increasingly bellicose. The semi-official daily Al Ahram yesterday picked up the theme of the authoritative columnist Ihsan Abd al-Quddus that Egypt should not lay down its arms but prepare for a "greater and more violent battle." Some of this bluster may be designed to becloud Egypt's real military situation, which is only gradually seeping out to the Egyptian public. Al-Quddus, however, often accurately reflects the government's frame of mind and was the only Egyptian commentator before 6 October calling for war.

Soviet First Deputy Foreign Minister Kuznetsov arrived in Cairo yesterday for talks on the Middle East situation. Kuznetsov is second only to Gromyko in the Soviet Foreign Ministry and has been used by Moscow as a trouble-shooter in the past.

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US-USSR: Moscow is demonstrating its displeasure over recent US statements regarding Soviet intentions in the Middle East.

Since the President's press conference last Friday, the Soviets have taken a number of steps to signal their annoyance with the Administration's public justification of the US military alert last week. Soviet propaganda has embroidered on the initial reaction to the alert--a TASS statement issued on 27 October--by relating the US move to the domestic situation in the US. The Soviets have also been giving play to dissension within NATO over US actions related to the Arab-Israeli war. In addition, Moscow has initiated several moves on the diplomatic front to convey its displeasure and to exploit this dissension. According to the US Embassy in London, a Soviet diplomat has relayed Moscow's dissatisfaction with the US action to a ranking member of the British Labor Party, professing that detente has been seriously damaged. In Washington, Ambassador Dobrynin has refused an official US diplomatic social invitation "because of the present situation."

Prior to the President's press conference, the Soviets had avoided any direct mention of the alert. In reporting on Secretary Kissinger's press conference last Thursday, the Soviets not only failed to note his references to the US military move, but also avoided referring to the complications in relations brought about by the Middle East crisis in general. Similarly, Brezhnev's speech to the international peace congress in Moscow on Friday also focused on the positive aspects of detente and relations with the US. The President's remarks on Friday night, however, must have been viewed in Moscow as an escalation of public recriminations that violated their view of quiet diplomacy and required a response. Even so, in their reporting on the US alert, the Soviets have not described the global dimensions of the US military move, which suggests that they would prefer not to fan public anxieties at a time when the Soviet media are hailing the regime's successes with detente and relations with the US.

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SOUTH VIETNAM: There has been some increase in Communist military action in widely scattered areas, but the major attacks north of Saigon that had been forecast by Communist sources have not materialized.

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Local Viet Cong forces are being told that they will contribute to a nationwide but limited military "campaign" that will be essentially retaliatory in nature. Communists in Long An Province have been told that this limited military pressure will be designed to force Saigon's compliance with the Paris cease-fire agreement and to counter the government's increasing military boldness. Other major goals are to secure rice and rebuild sagging Viet Cong morale.

Saigon forces have carried out extensive spoiling actions north of the capital that may have caused the Communists to set back any possible timetable for major attacks in that region. Senior South Vietnamese military officers continue to believe that the Communists have the capability to launch a major offensive, but they are now convinced that action in the next few weeks will focus on increased harassment of isolated government positions. Over the longer term, Saigon leaders remain apprehensive about the possibility of major military action. Prime Minister Khiem recently told a US official that the government does not have the hard evidence to project a major North Vietnamese offensive in the coming dry season. He does expect fairly active fighting in Dinh Tuong, Tay Ninh, and Pleiku provinces, however, that will last through the 1974 dry season.

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VENEZUELA: Caracas reportedly is leaning toward requiring foreign oil companies to make royalty payments in oil instead of cash. According to the US Embassy, such payments could amount to about 600,000 barrels per day (b/d), which the state oil company would presumably sell to the highest bidder. Under current agreements, however, Caracas must give a 90-day notice before taking such an action. Recently, Ecuador has successfully auctioned royalty oil. Similar action by Venezuela could result in the diversion of some oil from the US market. Brasilia, for example, is in "desperate need" of 300,000 b/d of crude oil, according to US oil officials, and can afford to pay premium prices. The Conference of Latin American Energy Ministers now being held in Lima probably will result in greater pressure on Venezuela to provide more oil to Latin America.

With Venezuelan general elections only a few weeks away, the governing Social Christian Party probably hopes that new moves on petroleum policy would win popular support for its presidential candidate. Although petroleum has not been a major campaign issue thus far, Social Christian Party leaders are claiming that the party's nationalistic oil policies are yielding substantial financial benefits.

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BOLIVIA: Rumors of coup plotting are again circulating in La Paz. Two groups--one of senior military commanders and the other involving some members of the Nationalist Revolutionary Movement (MNR), supported by younger officers--are said to be engaged in separate plots.

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Coup rumors are a constant factor in Bolivian politics, but these seem to be more serious than most because they involve nominal supporters of the regime rather than open enemies. Furthermore, if a decision is made to move, this would be an opportune time. Toward the end of the year, officers--who receive annual transfers in December--have gained their best control over their troops and the recruits drafted

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in April have mastered the military arts to a degree that makes them useful to ambitious officers. The uncertainty surrounding the elections announced for next June also could increase the chances for a coup.

The current plotters are not radically at odds with the policies of the current government. Their differences with Banzer center primarily on personalities and corruption rather than disagreements over basic governing strategy. Either group, if successful, would probably seek to strengthen relations with the US. They would probably terminate the two-party coalition and depose Banzer's numerous relatives, but with Banzer or without him, Bolivian politics do not seem to be headed for any dramatic changes.

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FOR THE RECORD\*

Syria-USSR: Moscow has apparently moved quickly to replace the OSA guided missile patrol boats that were destroyed by the Israelis. Two have been delivered since the 22 October cease-fire. Prior to the war Damascus had three OSA-1 guided missile patrol boats in its inventory--

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 26 October 1973 approved the following national intelligence estimate:

NIE 11/13/6-73

Possible Changes in the  
Sino-Soviet Relationship

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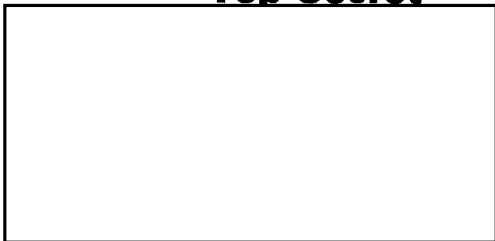
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